

QUARTERLY REPORT

TRADING NAME OF LICENSEE: GNOC, Corp. (Atlantic City Hilton)

For The Quarter Ended June 30, 2003

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

BALANCE SHEETS

AS OF JUNE 30, 2003 AND 2002

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	ASSETS		
	Current Assets:		
1	Cash and cash equivalents.	\$ 18,025	\$ 20,394
2	Short-term investments.	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 2003, \$ 7,397 ; 2002, \$ 6,868). NOTE 2.	7,925	9,975
4	Inventories.	1,222	1,520
5	Prepaid expenses and other current assets.	1,874	1,745
6	Total current assets.	29,046	33,634
7	Investments, Advances, and Receivables. NOTE 3.	12,891	11,165
8	Property And Equipment - Gross. NOTE 4.	550,163	540,979
9	Less: Accumulated Depreciation/Amortization. NOTES 1 & 4. .	(259,350)	(241,494)
10	Property And Equipment - Net.	290,813	299,485
11	Other Assets. NOTES 1 & 5. .	77,001	77,001
12	Total Assets.	\$ 409,751	\$ 421,285
	LIABILITIES AND EQUITY		
	Current Liabilities:		
13	Accounts payable.	\$ 2,920	\$ 1,716
14	Notes payable.	-	-
	Current portion of long-term debt.		
15	Due to affiliates.	-	-
16	Other.	-	-
17	Income taxes payable and accrued.	-	-
18	Other accrued expenses. NOTE 6.	23,429	22,006
19	Other current liabilities. NOTE 7.	10,779	8,498
20	Total current liabilities.	37,128	32,220
	Long-Term Debt:		
21	Due to affiliates. NOTE 8.	200,000	200,000
22	Other.	-	-
23	Deferred Credits.	-	-
24	Other Liabilities. NOTE 9.	106,396	132,925
25	Commitments And Contingencies. NOTE 1.	-	-
26	Total Liabilities.	343,524	365,145
27	Stockholders', Partners', or Proprietor's Equity. NOTE 10.	66,227	56,140
28	Total Liabilities And Equity.	\$ 409,751	\$ 421,285

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	Revenues:		
1	Casino.	\$ 152,726	\$ 150,307
2	Rooms.	11,629	12,172
3	Food and beverage.	19,929	20,280
4	Other.	5,356	4,980
5	Total Revenues.	189,640	187,739
6	Less: Promotional allowances.	42,208	43,572
7	Net Revenues.	147,432	144,167
	Costs And Expenses:		
8	Cost of goods and services.	93,084	90,103
9	Selling, general, and administrative.	20,871	21,411
10	Provision for doubtful accounts.	544	854
11	Total Costs and Expenses.	114,499	112,368
12	Gross Operating Profit.	32,933	31,799
13	Depreciation and Amortization.	9,415	10,669
	Charges from affiliates other than interest:		
14	Management fees. NOTE 11.	4,992	4,951
15	Other.	-	-
16	Income (Loss) From Operations.	18,526	16,179
	Other Income (Expenses):		
17	Interest (expense)-affiliates. NOTE 8.	(9,000)	(8,934)
18	Interest (expense)-external.	-	-
19	Investment alternative tax and related income (expense) - net.	(1,054)	(1,024)
20	Nonoperating income (expense) - net. NOTE 12.	169	198
21	Total Other Income (Expenses).	(9,885)	(9,760)
22	Income (Loss) Before Income Taxes And Extraordinary Items.	8,641	6,419
23	Provision (credit) for income taxes.	3,530	2,625
24	Income (Loss) Before Extraordinary Items.	5,111	3,794
25	Extraordinary items (net of income taxes - 20__, \$)	-	-
26	Net Income (Loss).	\$ 5,111	\$ 3,794

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	Revenues:		
1	Casino.	\$ 80,418	\$ 79,386
2	Rooms.	6,448	6,652
3	Food and beverage.	10,340	10,315
4	Other.	3,101	2,715
5	Total Revenues.	100,307	99,068
6	Less: Promotional allowances.	21,976	22,514
7	Net Revenues.	78,331	76,554
	Costs And Expenses:		
8	Cost of goods and services.	47,835	45,847
9	Selling, general, and administrative.	10,358	10,779
10	Provision for doubtful accounts.	208	479
11	Total Costs and Expenses.	58,401	57,105
12	Gross Operating Profit.	19,930	19,449
13	Depreciation and Amortization.	4,600	5,339
	Charges from affiliates other than interest:		
14	Management fees. NOTE 11.	2,633	2,620
15	Other.	-	-
16	Income (Loss) From Operations.	12,697	11,490
	Other Income (Expenses):		
17	Interest (expense)-affiliates. NOTE 8.	(4,537)	(4,467)
18	Interest (expense)-external.	-	-
19	Investment alternative tax and related income (expense) - net.	(543)	(555)
20	Nonoperating income (expense) - net. NOTE 12.	90	120
21	Total Other Income (Expenses).	(4,990)	(4,902)
22	Income (Loss) Before Income Taxes And Extraordinary Items.	7,707	6,588
23	Provision (credit) for income taxes.	3,139	2,694
24	Income (Loss) Before Extraordinary Items.	4,568	3,894
25	Extraordinary items (net of income taxes - 20 __, \$)	-	-
26	Net Income (Loss).	\$ 4,568	\$ 3,894

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND THE SIX MONTHS ENDED JUNE 30, 2003

(UNAUDITED)
(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid-In Capital (g)		Retained Earnings (Accumulated) (Deficit) (i)	Total Shareholder's Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2001.....	3,002,510	\$ 30		\$	\$ 123,421	\$	\$ (71,105)	\$ 52,346
2	Net Income (Loss) - 2002.....							8,770	8,770
3	Contribution to Paid-in Capital.....								
4	Dividends.....								
5	Prior Period Adjustments.....								
6									
7									
8									
9									
10	Balance, December 31, 2002.....	3,002,510	\$ 30		\$	\$ 123,421	\$	\$ (62,335)	\$ 61,116
11	Net Income (Loss) - 2003.....							5,111	5,111
12	Contribution to Paid-in Capital.....								
13	Dividends.....								
14	Prior Period Adjustments.....								
15									
16									
17									
18									
19	Balance, June 30, 2003.....	3,002,510	\$ 30		\$	\$ 123,421	\$	\$ (57,224)	\$ 66,227

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENT OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND THE SIX MONTHS ENDED JUNE 30, 2003

(UNAUDITED)
(\$ IN THOUSANDS)

NOT APPLICABLE

Line (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2001. . . .				
2	Net Income (Loss) - 2002.				
3	Capital Contributions.				
4	Capital Withdrawals.				
5	Partnership Distributions.				
6	Prior Period Adjustments.				
7					
8					
9					
10	Balance, December 31, 2002. . . .				
11	Net Income (Loss) - 2003.				
12	Capital Contributions.				
13	Capital Withdrawals.				
14	Partnership Distributions.				
15	Prior Period Adjustments.				
16					
17					
18					
19	Balance, June 30, 2003.				

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
1	Net Cash Provided (Used) By Operating Activities.	\$ 19,019	\$ 17,695
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities.	-	-
3	Proceeds from the sale of short-term investment securities.	-	-
4	Cash outflows for property and equipment.	(2,563)	(5,150)
5	Proceeds from disposition of property and equipment.	9	63
6	Purchase of casino reinvestment obligations.	(1,733)	(1,611)
7	Purchase of other investments and loans/advances made.	-	-
8	Proceeds from disposal of investment and collection of advances and long-term receivables.	4	-
9	Cash outflows to acquire business entities.	-	-
10	Increase in construction - related liabilities.	-	-
11		-	-
12	Net Cash Provided (Used) By Investing Activities.	(4,283)	(6,698)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt.	-	-
14	Payments to settle short-term debt.	-	-
15	Cash proceeds from issuance of long-term debt.	-	-
16	Costs of issuing debt.	-	-
17	Payments to settle long-term debt.	-	-
18	Cash proceeds from issuing stock or capital contribution.	-	-
19	Purchases of treasury stock.	-	-
20	Payments of dividends or capital withdrawals.	-	-
21	Change in payable to affiliate.	(16,220)	(12,836)
22	Debt retirement costs.	-	-
23	Net Cash Provided (Used) By Financing Activities.	(16,220)	(12,836)
24	Net Increase (Decrease) In Cash And Cash Equivalents.	(1,484)	(1,839)
25	Cash And Cash Equivalents At Beginning Of Year.	19,509	22,233
26	Cash And Cash Equivalents At End Of Year.	\$ 18,025	\$ 20,394

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Year For:		
27	Interest (net of amount capitalized)	\$ 9,000	\$ 8,934
28	Income taxes paid (refunded) - net	\$ 3,530	\$ 2,625

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)

(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	Net Cash Flows From Operating Activities:		
29	Net income (loss)	\$ 5,111	\$ 3,794
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment.	9,415	10,669
31	Amortization of other assets.	-	-
32	Amortization of debt discount or premium.	-	-
33	Deferred income taxes - current.	-	-
34	Deferred income taxes - noncurrent.	-	-
35	(Gain) loss on disposition of property and equipment.	(9)	(32)
36	(Gain) loss on casino reinvestment obligations.	1,054	1,024
37	(Gain) loss from other investment activities.	-	-
38	Net (increase) decrease in receivables and patrons' checks.	875	535
39	Net (increase) decrease in inventories.	218	296
40	Net (increase) decrease in other current assets.	(617)	(351)
41	Net (increase) decrease in other assets.	-	-
42	Net increase (decrease) in accounts payables.	(2,021)	(1,466)
43	Net increase (decrease) in other current liabilities excluding debt.	5,199	3,410
44	Net increase (decrease) in other noncurrent liabilities excluding debt.	(206)	(184)
45	Loss on extinguishment of debt, net of tax benefit of \$.	-	-
46	Amortization of CRDA assets	-	-
47	Net Cash Provided (Used) By Operating Activities.	\$ 19,019	\$ 17,695

SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

48	Acquisition Of Property And Equipment:		
	Additions to property and equipment.	\$ 2,563	\$ 5,150
49	Less: Capital lease obligations incurred.	-	-
50	Cash Outflows For Property And Equipment.	\$ 2,563	\$ 5,150
	Acquisition Of Business Entities:		
51	Property and equipment acquired.	\$ -	\$ -
52	Goodwill acquired.	-	-
53	Net assets acquired other than cash, goodwill, and property and equipment.	-	-
54	Long-term debt assumed.	-	-
55	Issuance of stock or capital invested.	-	-
56	Cash Outflows To Acquire Business Entities.	\$ -	\$ -
	Stock Issued Or Capital Contributions:		
57	Total issuances of stock or capital contributions.	\$ -	\$ -
58	Less: Issuances to settle long-term debt.	-	-
59	Consideration in acquisition of business entities.	-	-
60	Cash Proceeds From Issuing Stock Or Capital Contributions.	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE SIX MONTHS ENDED JUNE 30, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	178,610	\$ 7,421		\$
2	Food	733,430	9,929		
3	Beverage	1,530,836	3,980		
4	Travel			28,522	950
5	Bus Program Cash	313,727	5,469		
6	Other Cash Complimentaries	529,176	13,412		
7	Entertainment	28,727	901	1,693	211
8	Retail & Non-Cash Gifts	3,421	913	4,376	2,390
9	Parking				
10	Other *	6,938	183	95,353	788
11	Total	3,324,865	\$ 42,208	129,944	\$ 4,339

FOR THE THREE MONTHS ENDED JUNE 30, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	94,755	\$ 3,997		\$
2	Food	370,673	5,046		
3	Beverage	766,346	1,992		
4	Travel			15,512	491
5	Bus Program Cash	175,532	2,882		
6	Other Cash Complimentaries	250,024	6,823		
7	Entertainment	18,510	604	1,123	140
8	Retail & Non-Cash Gifts	2,523	545	1,770	897
9	Parking				
10	Other *	3,672	87	45,018	389
11	Total	1,682,035	\$ 21,976	63,423	\$ 1,917

* No item in this category exceeds 5%.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and basis of presentation

The accompanying financial statements include the accounts of GNOC, Corp., a New Jersey corporation (the "Company"). The Company is a wholly owned subsidiary of Bally's Park Place, Inc., which owns and operates the casino hotel resort in Atlantic City, New Jersey known as Bally's Atlantic City ("Bally's Atlantic City"), which is a wholly owned subsidiary of Park Place Entertainment Corporation ("PPE"). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as the "Atlantic City Hilton." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Casino Control Commission Quarterly Report for the year ended December 31, 2002.

All adjustments to these financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets for the Company at June 30, 2003 and 2002, and its statements of income for the three and six months ended June 30, 2003 and 2002 and its statements of cash flows for the six months ended June 30, 2003 and 2002. All such adjustments were of a normal recurring nature.

Seasonal factors

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2003 and 2002 are not necessarily indicative of the results of operations for the full year.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Revenue recognition and promotional allowances

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The statement of income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

In the first quarter of 2001, the Emerging Issues Task Forces ("EITF") reached a consensus on certain issues in EITF 00-22 "Accounting for 'Points' and Certain Other Time-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." EITF 00-22 requires that cash rebates or refunds as part of a customer loyalty program be shown as a reduction of revenues.

EITF 00-14 "Accounting for Certain Sales Incentives," which is effective January 1, 2002, focuses on the accounting for, and presentation of, discounts, coupons and rebates. EITF 00-14 requires that cash or equivalent amounts provided or returned to customers as part of a transaction should not be shown as an expense but should be an offset to the related revenue. The Company offers cash inducements and match-play coupons to customers to encourage visitation and play at the casino. The adoption of the standards resulted in an addition to promotional allowances (and a corresponding reduction in selling, general and administrative expenses) of \$9,705 and \$10,691, for the three months ended June 30, 2003 and 2002, respectively; and \$18,881 and \$20,550 for the six months ended June 30, 2003 and 2002, respectively.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Property and equipment

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$4,600 and \$5,339 for the three months ended June 30, 2003 and 2002, respectively; and \$9,415 and \$10,669 for the six months ended June 30, 2003 and 2002, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

Costs in excess of acquired assets

In 1987, Bally Entertainment Corporation (formerly the parent of the Company) acquired the Company, other related properties and real estate leases in a transaction which was accounted for as a purchase.

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life). Pursuant to SFAS 142, goodwill amortization ceased on January 1, 2002. Prior to the adoption of SFAS 142, the excess of the total acquisition cost and debt assumed over the fair value of net assets acquired (goodwill) had been amortized on the straight-line method over forty years.

Long-lived assets

In August 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 supersedes existing accounting literature dealing with impairment and disposal of long-lived assets, including discontinued operations. It addresses financial accounting and reporting for the impairment of long-lived assets, and for long-lived assets to be disposed of, and expands current reporting for discontinued operations to include disposals of a "component" of an entity that has been disposed of or is classified as held for sale. The Company was required to adopt SFAS 144 effective January 2002. Implementation of this standard did not have a material impact on the Company's financial statements.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Connection Card Program

During the 2nd quarter 2003, the Company, along with its PPE Atlantic City Affiliates, implemented the Connection Card Program. The Connection Card Program allows players to earn credits that may be accumulated over time and redeemed at their discretion in accordance with the rules of the program at any of the three Atlantic City PPE casinos. We record an estimated liability for the incremental cost of providing goods and services under the program at the time the credits are earned.

Fair values of financial instruments

The fair values of the Company's financial instruments including receivables, payables and debt, approximate their recorded book values at June 30, 2003 and 2002.

Accounting Pronouncements

In November 2002, the FASB issued Interpretation No. ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

On January 17, 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. The Company does not believe this provision will have a material impact on the Company's financial results.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Income taxes

Taxable income or loss of the Company is included in the consolidated Federal income tax return of PPE. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability or receivable is credited or charged to its corporate parent. Deferred income taxes and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by PPE in accordance with the tax sharing agreement between PPE and the Company.

Recent tax legislation

On June 30, 2003, the New Jersey State Legislature passed a bill to increase taxes on the New Jersey casino industry, beginning with the fiscal year 2004 (starting July 1, 2003). Included in this legislation is a tax on net profits, taxes on certain complimentaries, and increases in parking, rooms and other fees. The Company is currently assessing the impact these taxes will have on its results of operations.

Casino Reinvestment Development Authority

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority ("CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

Allocations and transactions with related parties

The Company transfers cash in excess of its operating needs to PPE on a daily basis. PPE provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other PPE affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable. In addition, the Company leases land from Bally's Atlantic City.

GNOG, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Advertising and Marketing Fee

Hilton Hotels Corporation charges the Company for certain hotel reservation services, and advertising and marketing support in accordance with the fees established for participation in the Hilton Honors Program, as well as a national and regional group advertising and sales promotions service fee equal to 1% of net room revenues.

NOTE 2 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Casino receivables (net of allowance for doubtful accounts – 2003, \$7,173; 2002, \$6,682)	\$ 5,361	\$ 7,060
Other (net of allowance for doubtful accounts – 2003, \$224; 2002, \$186)	2,065	2,437
Due from affiliates	<u>499</u>	<u>478</u>
	<u>\$ 7,925</u>	<u>\$ 9,975</u>

NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables consist of funds invested with the CRDA, net of related valuation reserves of \$6,959 and \$6,143 at June 30, 2003 and 2002, respectively.

The Company, Bally's Atlantic City and the CRDA entered into a credit exchange agreement and an investment agreement in 1998. The credit exchange agreement permits the exchange of certain current and future CRDA obligations between the Company and Bally's Atlantic City, resulting in a long-term payable to Bally's Atlantic City (See Note 9). The investment agreement provides an investment plan for the use of certain current and future CRDA funds. These agreements have accelerated the funding of credits due the Company under the aforementioned credit agreement.

GNOC, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Land	\$ 66,655	\$ 66,655
Buildings and improvements	315,914	312,223
Furniture, fixtures and equipment	165,044	158,941
Construction in progress	<u>2,550</u>	<u>3,160</u>
	550,163	540,979
Less accumulated depreciation and amortization	<u>(259,350)</u>	<u>(241,494)</u>
	<u>\$ 290,813</u>	<u>\$ 299,485</u>

NOTE 5 - OTHER ASSETS

Other assets as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Cost in excess of acquired assets, less accumulated amortization of \$44,637	\$ 76,839	\$ 76,839
Other	<u>162</u>	<u>162</u>
	<u>\$ 77,001</u>	<u>\$ 77,001</u>

NOTE 6 - OTHER ACCRUED EXPENSES

Other accrued expenses as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Accrued payroll and benefits	\$12,727	\$ 9,875
Insurance claims	5,620	5,151
Other	<u>5,082</u>	<u>6,980</u>
	<u>\$23,429</u>	<u>\$22,006</u>

GNOG, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 7 - OTHER CURRENT LIABILITIES

Other current liabilities as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Due to Bally's Atlantic City	\$ 2,870	\$ 1,916
Due to Caesars World Merchandising, Inc.	4,326	2,626
Due to affiliates-other	1,085	976
Unredeemed slot promotions liability	787	1,329
Unredeemed chip and token liability	813	1,032
Other	<u>898</u>	<u>619</u>
	<u>\$10,779</u>	<u>\$ 8,498</u>

NOTE 8 - LONG-TERM DEBT - DUE TO AFFILIATES

Long-term debt - due to affiliates as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
9% Note payable to Park Place Finance Corporation due January 1, 2009	<u>\$200,000</u>	<u>\$200,000</u>

In January 1999, the Company declared a \$200,000 distribution payable in the form of a note payable to Bally's Atlantic City. Bally's Atlantic City then immediately assigned the \$200,000 note payable to PPE. On July 1, 2000, PPE assigned the \$200,000 note payable to Park Place Finance Corporation. The note payable bears interest at a rate of 9% per annum, payable on the last business day of each quarter.

NOTE 9 - OTHER LIABILITIES

Other liabilities as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Due to PPE	\$106,016	\$132,313
Due to Bally's Atlantic City (See Note 3)	<u>380</u>	<u>612</u>
	<u>\$106,396</u>	<u>\$132,925</u>

Due to PPE consists of an unsecured, non-interest bearing intercompany account.

GNOG, Corp. (Atlantic City Hilton)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 10 - STOCKHOLDER'S EQUITY

At June 30, 2003 and 2002, the Company had 5,000,000 shares of common stock authorized; of such shares 3,002,510 were issued and outstanding.

NOTE 11 - CHARGES FROM AFFILIATES - MANAGEMENT FEE

The Company and PPE have entered into an administrative services and management agreement. Under the agreement, PPE provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration for these services, the Company pays PPE a monthly management fee equal to three percent of revenues, as defined.

NOTE 12 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) for the three months ended June 30 consists of the following:

	<u>2003</u>	<u>2002</u>
Interest income	\$ 86	\$ 88
Gain on disposal of equipment	<u>4</u>	<u>32</u>
	<u>\$ 90</u>	<u>\$ 120</u>

Nonoperating income (expense) for the six months ended June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Interest income	\$ 160	\$ 166
Gain on disposal of equipment	<u>9</u>	<u>32</u>
	<u>\$ 169</u>	<u>\$ 198</u>

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.



Signature

Assistant Vice President/Controller
Title

006243-11
License Number

On Behalf of:

GNOC, Corp. (Atlantic City Hilton)
Casino License